"The Scrip"
MANY INVESTORS; ONE VOICE
New Zealand Shareholders Association Inc.
NZSA

October 2008

BRUCE'S EDITORIAL

To distribute or not distribute - That is the question.

Many NZ commentators criticise NZ companies for their high payout ratio. (Dividends paid to reported profits). They argue that by not reinvesting they are holding back the development of their business and leaving themselves undercapitalised and vulnerable to takeover. All of this is true, but it is also true that a company should not hold back profits unless the board can see a reinvestment opportunity within the business that will provide shareholders with a better return than shareholders can make for themselves. i.e. better than say a bank deposit rate return.

If boards are behaving rationally, and in the absence of a "balance Sheet" (i.e. solvency) need, the decision on dividend policy should be predicated on this question:

> ***"If we (the board) cannot reinvest our profits and deliver a return greater than the return that our shareholders can derive from an alternative investment, we should return our profits to shareholders for them to invest themselves."***

So there are two things that drive our high dividend policy in NZ. The first is high interest rates, thank you Dr. Bollard, and secondly lack of clear reinvestment opportunities.

Mostly our listed companies are domestically focused and very few are true global players, many do however export. That however won't last, thank you again Dr. Bollard, or should I say Dr. Cullen. Have any of you noticed the correlation between qualification and academic stupidity?

Those of our companies that are global are small in global terms. So, most of our companies have to find reinvestment opportunities from within NZ, an economy that has slipped to the bottom end of the OECD over the last 25 years.

The convergence of these two factors underpin our high distribution policy and rather than criticising boards for behaving rationally we should applaud them….. But the sad thing is we should have the opportunity to invest in companies that are run by people who can create rewarding reinvestment opportunities. This is about talent, NZ is short on talent particularly talent that is prepared to be bold. Worse those who do try become tall poppies and then society tries to mow them down.

Now to measure board's effectiveness of investment is not too hard either.

Consider the following table:

Company Effectiveness in investment:
Indicative not real Listed company.

	2001	2003	2004	2005	2006	2007
Sales	$1,200	$1,450	$1,850	$2,000	$2,100	$2,500
Net Profit after tax	$80	$82	$120	$100	$160	$200
Dividends paid	$40	$40	$40	$40	$60	$80
Profit retention	$40	$42	$80	$60	$100	$120
Balance Sheet:						
Gross assets	$900	$1,088	$1,388	$1,500	$1,575	$1,875
Gross liabilities	$450	$596	$816	$868	$843	$1,023
Net Equity	$450	$492	$572	$632	$732	$852
Ratios:						
Profit to sales	6.67%	5.66%	6.49%	5.00%	7.62%	8.00%
Dividend Cover	$2.00	$2.05	$3.00	$2.50	$2.67	$2.50
Equity to assets	50%	45%	41%	42%	46%	45%
Return on equity	17.78%	16.67%	20.98%	15.82%	21.86%	23.47%
Dollar for Dollar ratio calculation:						
Accumulating retained profit		$40	$82	$162	$222	$322
Accumulating profit Growth		$2	$40	$20	$80	$120
Return on reinvestment		5.00%	48.78%	12.35%	36.04%	37.27%
	PE					
Market Value Creation	10	$20	$400	$200	$800	$1,200

Company Effectiveness in investment:
Indicative not real Listed company.

The first ratio profit to sales is a measure of competitive effectiveness, if it is declining over time competition is taking a toll, and if this ratio has moved significantly over time it is worth checking if this is due to changes in tax or interest rates or financial gearing. A better measure is Earnings before interest and tax to sales.
The dividend cover ratio is a measure of dividend risk, and the equity ratio is a measure of capital risk. This said you have to look closely at what has been treated as an asset. Intangibles can distort things, but as a simple exercise this is a start.

Return on equity and marginal return on accumulating retained profits and the dollar for dollar ratio are the acid test on the distribute not distribute question.

Generally if the business can preserve or increase its return on equity over time it is a good indicator that the board has profitable reinvestment opportunities. This ratio can however be manipulated by changing the businesses gearing, i.e. increasing debt at a lower cost than equity.

The second ratio, which is calculated on, the sum of all earnings not distributed over time, against which the increase in profits over time is measured is harder to manipulate. Still it is worth measuring the increase in profits against the equity ratio, if the equity ratio is declining then even this measure may have been manipulated by changes to debt strategies.

The dollar for dollar ratio is a Buffet special. If the board cannot produce at least one dollar of value on any dollar that they do not pay out to shareholders they are inefficient in the allocation of capital, and such people should be avoided.

For those that are so inclined, how about you pick some companies and do this simple analysis, you will be surprised how hard it is to find a company on Buffets acid test with a good history.

Don't forget however that if you find one with good history it doesn't mean it will have a good future, it just means that those who presided over the past were rational in the allocation of capital.

Bruce Sheppard

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THE ROLE OF THE CHARTERED SECRETARY

Editors Note: Grant was the opening speaker at the AGM and has supplied this article so that we may support his organisation in its representations to our lawmakers.

As we enter the general elections it is usual that existing and potential Members of Parliament seek voters' views on a range of issues. CSNZ lobbies the current government and other political parties on an ongoing basis seeking to raise the standards of governance of all types of organisations. Some CSNZ members may have the opportunity to speak with candidates so we have set out a range of information and CSNZ's position on various matters.

1. Recognition of the position of Company Secretary amongst our trading partners.
Australia: All public listed companies required to have a Company Secretary and disclose their qualifications and experience. Directors to have unfettered access to the Company Secretary.
Hong Kong: All public listed companies required to have a Company Secretary who must be a Chartered Secretary, Chartered Accountant or Barrister & Solicitor.
China: All public listed companies required to have a Board Secretary who must be at Managing Director level.
Malaysia: Same requirement as Hong Kong.
Singapore: Same requirement as Hong Kong.
New Zealand is out of line and is alone with Canada regarding this aspect of the corporate governance model. The government and regulators believe that New Zealand business conditions are different from these countries and therefore it is not necessary to either recognise or mandate the role.

2. Companies Office: Recently the Companies Office was subject to various persons (some illegal immigrants) incorporating companies, then defrauding the Inland Revenue Department over GST and committing other frauds. Unlike New Zealand other countries for example Australia require formal signed documents to combat fraud and also require at least one director is domiciled in the country. The Office's online filing system is vulnerable to corporate identity theft as it has no method of verification of filings. Other countries use the independent Company Secretary as the verification link as that person is known to the Office. When we brought this to the attention of the Minister of Commerce and suggested ways of combating the problem she accused the Institute of acting irresponsibly for highlighting the issue.

3. Business Legislation and Regulation: CSNZ believes it is important that New Zealand develops a governance model that is robust and rigorous and meets the requirements of our major trading partners. We are a small player, and therefore attract a risk premium. We need to offset this negative with the positive of good governance practice. We also believe that legislators and regulators need to develop good business laws that are minimal, clear and concise and don't impede the good honest businesses, but do provide harsh penalties for those who transgress. CSNZ is a natural ally of NZSA and we should continue to work together.

Grant Diggle FCIS, Chief Executive

BRANCH CONFERENCE 12TH SEPTEMBER 2008

At a meeting of the Branches held after the AGM the members representing each Branch went through a list of items which had been submitted by email prior to the meeting.

National Board

Board is to review Succession of the Chair and legal support for Advocacy. Action is also underway to expand the numbers of board members to ensure that all portfolios are adequately covered.

National Manager Role

The Board has approved the appointment of a National Manager to manage the day to day running of the Association. The branch members were asked what the Manager could do that would help the branches. The following was agreed

The Manager would co-ordinate communication between the National Office and branches; and also across the Branches. This would be to:
Organise speakers to appear at more than one branch
Organise Company visits where a number of branches combine or where the company holds multiple visits in different regions
Share presentations by speakers across branches
Help existing branches to form new branches as appropriate.
Assist branches to use the website and ensure it is kept up to date.
Prepare a report of board activities for publication in The Scrip.

The Scrip

Alan Best will review Scrip to improve its effectiveness with less emphasis on analysis and more on "taking the pulse of an organisation." Links to published information will be identified, and instructions on how to use excerpts from the back copies on the website. Branches felt that the print size could be reduced if necessary keep the total size of the document to manageable length

Website

The website has been rebranded and is ready to launch. It is important that all publicity and branch communication feed into this medium.
Each Branch will have a portfolio holder who keeps the information up to date including notices or meetings, and company visits, branch education courses and enrolment directions.
It is intended that some integration of the accounting system with the website be achieved to allow registration to be paid for by direct banking and credit card during 2008.

Membership

Types of member;
It was agreed the National manager and Board would work with Branches to evaluate the development of new forms of membership such as:

- Corporate members
- Institutional members such as Secretaries and Accountants
- Student members

Partners and Spouses to be identified from current membership and encouraged to be active.

Increasing membership;
The Board and National manger will work with branches to develop a strategy to increase membership. Ideas canvassed were:

- New Branches by geography, region
- New types of branches e.g. tertiary branches for students or a Virtual Branch
- Member driver based on Issues such as Feltex
- Update our brochure and website to encourage potential members
- Speaking engagements by Board and National Manager
- Chris will circulate share registry lists by company and region to branches
- Membership drives around company visits

Branches can also use discussion groups as a forum to attract members

Education

Alan Best updated the meeting on the plan and progress to enable branches to deliver the first two education programmes which have been revised. A Train the Trainers session was held in September and materials provided to each branch.
In order to assist branches the following was agreed:
National office will provide promotional material.
National office will assist with funding to enable branches to advertise and promote sessions in the most efficient way.
If a branch needs assistance to get up to speed with the content, national Office will assist by sourcing a presenter.
It has to be noted that branches will be accountable for delivering the programme. This means they promote the programme, and arrange the presenters, venue etc. Revenue for courses delivers goes to the branch as do the related costs, apart from a small margin for National Office which goes towards maintaining the intellectual property. Branches are also responsible for keeping their forward programme current on the website.

Next year Alan will initiate a review of modules 1 & 2 with the branch delivery teams in order to improve content and delivery of the courses. He will also review modules 3 & 4.

Research

The National manger will work with branches to establish a research capability within each branch that links up to the National Research and Scholarship programme.

Next Meeting

It was agreed another branch forum would be held after the AGM in 2009

Kevin McCaffrey

BOARD REPORT FOR SEPTEMBER

1. John Hawkins attended as a trial, and it was obvious from this first introduction that NZSA would benefit from his continued participation.
2. Dorchester Pacific: For background please read Bruce's article in the June Scrip, and the letters on our website. The board purchased a minimum parcel of shares, then obtained a copy of the share register, and wrote to shareholders suggesting an EGM to consider appointment of a liquidator and the removal of directors. NZSA gained more than the necessary 5% support for an EGM, but was challenged by Chairman, Barry Graham, who made it clear that our resolutions would be lost because of the large votes of Hugh Green and Kevin Podmore. Although this is new law we believe such a vote can be challenged on the ground that both these voting interests are conflicted, as a liquidator would investigate and possibly overturn the repayment of loans. However if we wait for the end of a moratorium, this would be beyond the reach of a liquidator. Hence we had to move swiftly, and while Barry Graham refused to include our resolutions in the AGM agenda, he has also incurred the extra cost of an EGM to the ordinary shareholders.
3. Geneva Finance: The absorption of debenture holders as shareholders of this company has created a new block of votes which could overturn the existing board and see the appointment of at least 3 new directors. These shareholders have not only been denied access to their deposits but have seen the share price whittled from 60c to 4c, and so we are making a special membership offer to them with a

view to representing their interests as new shareholders. We have now bought shares, written to shareholders, and proposed a General Meeting.

4. Dominion Finance: We have challenged this company's solvency certificate, and dividend payment made only 4 days before the suspension of repayments to debenture holders. Dominion finance believes that because its half year report was not audited no solvency certificate was required. This is not the only time ordinary shareholders have made off with debenture holders' money, and we will be pursuing this matter.
5. National Manager: The board resolved to pursue the appointment of a part time, national coordinator to handle day-to-day communication with members and branches, assist with branch education programmes, and increase membership and branch coverage. A draft budget was prepared to allow for this expenditure. It is expected that this will free up board members for more incisive advocacy. However we still need a volunteer board member to assist with the legal and technical aspects of advocacy.
6. Directors' gallery: With the larger numbers of directors who have been involved in poor governance, it is planned to set up a non- judgemental gallery on our website to trace the current business activities of directors who have been responsible for the failure of companies giving the name and date of the failed company as a starting point. Members will be encouraged to submit factual material to be included in this section of our website.

The board also reviewed arrangements for the AGM, Monthly accounts, Scrip, Education and Flow in its normal agenda.

Alan Best

SHORT SELLING SHOULD BE SEEN FOR WHAT IT IS.

Short selling is permitted in many markets, as it aids liquidity. It is a relatively sophisticated trading method that allows a profit to be made, even when (in fact only) when shares in a company are falling. It involves selling shares now, that you do not own, and then subsequently purchasing them back at a later time, at the lower cost, and thus at that time marrying up the shares sold, with those purchased (called "closing out the position"). The process above is called "naked short selling", as the seller has no shares to sell. An even more sophisticated trade involves a contract to borrow shares (for which a price is paid), and then a sale of the borrowed number of shares (a covering parcel), but not those shares themselves, followed by a subsequent purchase, to close out the position. Another gloss on this is to "borrow" the shares, on terms that permit an actual sale, but the requirement to replace the shares within a certain time limit. In this last case, "real shares" are being used, but the short seller is not actually purchasing them at the commencement of the process. The person he is "borrowing" them from is at risk that he does not perform, but it is real shares that are moving through the market.

Of course, if I were to sell you a car I didn't own, that would be called fraud. Selling shares you don't own is also fraud. It has only been permitted because the fraudsters have convinced everyone that to object is to be unsophisticated, and if you object you are too dumb to understand and should leave sophisticated market operators who know what they are doing, alone. Which is the classic scammer's position. In naked short selling, and in a contract for a covering parcel (but not the last alternative), there is no intent to sell a real parcel of shares. That is fraud.

Both naked short selling, and use of a covering parcel that can not actually be sold, create a false appearance (that real shares are for sale). Shares are a fixed commodity - a company has only issued a certain defined number. So they are a scarce commodity in economic terms. Someone pretending he has some for sale increases the apparent supply of the commodity, and as any student of Economics 101 will tell you, price is determined by demand v supply. By fraudulently increasing the supply, you reduce the real price. So every holder of the real shares is harmed, and the ability of the short seller to buy in subsequently at a lower price is almost guaranteed - as their very action in artificially increasing the supply is what depresses the price. That they may have received some rights to a covering parcel of shares does not improve anything - as those shares are on loan, and the short seller is not authorised to sell them. So borrowing to sell only makes another party complicit in the fraud, but does not make it any less fraudulent.

Closing out a position does not make it better. At the point of sale, the seller can not provide the shares. But they have three days in which to do so. So they can purchase again at the lesser price, at any time in those three days. But the purchase also has three days to settle. So the short sale could take 6 days to settle and be closed out. For those 6 days, there are more shares being traded, than exist. The short seller is a winner, but every other shareholder is a loser.

Fraud should be identified, and prosecuted. Naked short selling and the use of covering parcels is fraud (in the later case, fraud by the seller and the lender). It does cause actual harm to the integrity of the share market. It should be absolutely prohibited, and enforced with criminal sanction, as any other fraud is.

Ross Dillon

INVESTMENT DETAILS FROM THE INTERNET

In the middle of last year the investment scene in New Zealand changed as a result of legislation passed that enabled listed companies to refrain from sending copies of Annual Reports to shareholders in certain situations. We should also tell you that this legislation mimics the laws that are increasingly coming into operation in the rest of the world and emanate usually from either Europe or the USA. **We have previously advised all members to ensure that they receive a copy of annual and interim reports**. We reiterate this advice. You should be aware that doing nothing is not an option. You should positively ask for a copy of these documents and once you have made this request it applies for every ensuing year. We do however have sympathy with companies who are forced to spend needless money in mailing to shareholders documents that are thrown away as soon as received. We are sure our members are not followers of this habit. The computer is now playing an increasing part on global information collection and you will have noted that the vast majority of listed companies now use their website for the dissemination of information. This short article is intended to make you aware of what is now available – and what you should be doing if it is not! It should be a condition of listing that corporate websites are maintained up to date and contain all of the reports that are required by the New Zealand Stock Exchange (NZX) under their listing rules. It is critical that all shareholders are entitled to receive information at the same time as it is sent to the NZX. The following are the main features that should be found in the investor centre of websites of all listed companies.

Interim and annual reports
Annual Reports must be sent to shareholders and the NZX within three months of the end of the reporting period. Preliminary results must be sent to NZX within two months of the end of the reporting period.

Matters requiring notification to the Exchange
Continuous disclosure matters, changes in the composition of the Board, change of auditors, change of name and issue of shares and options and other periodical announcements required by NZX should be posted to the corporate website immediately following their despatch.

Agenda items for the Annual Meeting
The date, time, venue and agenda should be available at least a week before the AGM. In some cases this is forgotten and does not get posted until after the meeting.

Chairman and CEO address. *These documents should be posted to the corporate website immediately following the AGM together with the results of agenda items such as director re-elections and auditor fees and appointment if applicable.*

Minutes of General Meeting
The custom with many listed companies is for the Board to review and approve the minutes of the AGM at the next Board meeting of the company. Therefore do not expect to see the minutes for some time. It is usual for companies to post minutes to their website a full year after the meeting is held. We feel this procedure is unwarranted but it has the advantage of ensuring that it will be difficult for them to be challenged.

Share price history
In arrangements with the NZX or the company broker, share price data is made available together with graphs of changes over varying periods. This is a service to the shareholder and is welcome by many investors. Often the information is further expanded by the compilation of broker forecasts of future results and latest recommendations. Corporate presentations of results are popular information for shareholders.

Constitution
Many companies now include this document on their website.

Company policies
Listed companies now have policy statements covering such matters as insider trading, corporate governance procedures, whistle blower policies, composition of audit, remuneration, risk management and nomination committees and their terms of reference. It is often found helpful to incorporate these matters in a website rather than take up valuable space in annual reports.

Investor calendar
A feature of many corporate websites will be a calendar of events for the coming year. The expected dates of interim and annual financial report announcements and the dates of publication of these reports plus the dividend payment dates and other important information will be listed for the information of investors.

It is important that the full text of the announcement is posted to the corporate website. The Stock Exchange has the tiresome habit of taking scissors to

announcements and merely posting the first page of the announcement on the NZX website. Indeed, often only page 1 can be printed from the website. This procedure, whilst saving space, can be dangerous and in the recent case of GPG plc, vast swathes of important information could only be obtained from GPG's website. It is therefore advisable to go to the company website to obtain the full text of all announcements to the Exchange.

NZX Website. Many investors may find the NZX website challenging as it is not particularly user-friendly despite attempts at upgrading. After arriving at the home page you will find a line of page names along the top of the screen - Click on 'Markets'. Then click on NZSX and finally click on 'All NZSX Securities' which is the final sentence under summary in the centre of that page. There is a mass of information on this website and you may need to register to take advantage of information on some pages. Registration is free and the frequent investor should find it well worth the trouble.

We have shown under most headings the time expectation for posting to a corporate. If you find that information is not disclosed on a timely basis we would like to know. Having said that, we can give no guarantee that we will be able to improve this situation.

Oliver Saint *27 September 2008*

ORIGIN ENERGY AND CONTACT ENERGY

Origin energy the majority shareholder in Contact Energy is seeking to approve an increase in Directors fees of $750,000 to $1.5 million, and has been granted a NZX waiver to vote on this issue.

The NZSA believe the NZX is wrong in giving Origin the right to vote their shares on this resolution. It does nothing to build confidence with the retail shareholders that good sound governance practice is being carried out by the board. It is sending the wrong message to the general public whom we all trying to get to invest in the local share market. It is taking away the rights of the minority shareholders. If the independent directors are truly independent they should come out and say they are against Origin using its majority vote to pass this resolution. The board should have enough confidence that shareholders will support reasonable resolutions based on sound information and facts. The NZSA are not against directors receiving fees in line with their performance and responsibilities. We often support proposals put up at AGM`s and regularly discuss issues like these with our public companies. We have found little support from Grant King, Contact Energy Chairman to any issues we have raised in the past so have no confidence he will back down on this time. If major companies continue to get a waver from the NZX on key resolutions then we may need to get a law change.

As shareholders we should turn out in force at the Contact Energy AGM to register our concerns.

I am hoping my comments will be published in the Dominion Post and the New Zealand herald. I have spoken to other interested parties in the city to get their support on this issue.

On another important article which was drawn to your attention in our June newsletter was the True Independence of Chairman and Directors. This article has been accepted by the Institute Of Directors and will be printed in their next news letter.

Des Hunt

COMPANY REPORTS

FISHER AND PAYKEL APPLIANCES 18TH AUGUST 2008

NZSA PROXIES – 36 TOTALLING 397,852 SHARES

Headlines in the Dominion Post the following day advised a 'grim annual meeting'. Your representative suggests that there was much to be thankful for, both from the performance to date and the positioning for the future. Manufacturing units were relocated to Thailand and Mexico and the moves are being completed with minimum disruption both in relation to staff in New Zealand and facilities overseas. In contrast with previous years there were interesting questions at the meeting and the Board decided to release their profit guidance for the year ahead. A loss for the first six months was forecast but the final profit guidance for the year was $33 million after relocation expenses. The grim picture was thus the anticipated reduction in dividend payout for the current year. When reflecting on the number of listed companies that have decided to refrain from giving shareholders indicative profit guidance for the current year, shareholders should be thankful that this company has by inference concurred that in recessionary times it is even more important to keep shareholders advised of projected results. An added bonus was the announcement during the meeting that the Board was considering the introduction of Capital Notes as part of its financial management. No doubt this will be seen, in time, as a move to reduce the strategic significance of the finance company now that its intended sale has been withdrawn from the market.

The addresses of the Chairman and CEO are shown on the website (www.fisherpakel.com) and there remain the queries raised at the meeting. The most significant item was the clarification of the profit statement referred to above. However the possibility of the main Stock Exchange listing being moved from New Zealand was raised and the chairman advised that the Company would always remain based in New Zealand. Similarly takeover vulnerability had been a matter raised ever since the group was listed in 1979 and he suggested that companies were looking inward rather than outwards in the present climate with private equity attention unlikely given present economic conditions. A question was raised about the difficulty in conducting research with the spread of manufactured items being sold around the world. The CEO advised this matter was made much easier with the communication technology enabling quick turnaround time. In addition presence at trade shows provided good customer reaction.

Oliver Saint

KIWI INCOME PROPERTY TRUST AGM Hamilton 13th August

This was a well attended meeting.
Speaking at the meeting were Sean Waring, Chairman, and Chris Gudgeon the new CEO.
Both men spoke on the positive performance despite the toughening times. The drop in the unit price is due to the overall reduction in the market and did not reflect the improvement in cash flow from increased rental returns.
Occupancy rates have been running at 99% which reflects the strength of the market up till now. With only 5% of these due for renewal in the next 12 months it bides well.
Further increases in rent are expected as their valuers have estimated that their

properties are 6.2% under rented on average at the moment. Also many of the leases have CPI adjustments in the rent.
They are expecting tougher negotiations for rental renewals with the tightening of the market for office rentals. However they are still predicting a 9 cent per unit distribution for this financial year tax paid
Activities in the pipeline include two new five story offices buildings at Sylvia Park along with increased parking area. The Plaza in Palmerston North will also go through further development with the integration of the Countdown building.
Management believes the present financing is conservative and does not need to be renegotiated for the next three years. In answer to a question from the floor regarding precommitment on new building activities, management was evasive but indicated a conservative approach at this time of the business cycle.
There was nothing reported in the meeting that was new to the market or controversial. The motion allowing the management company to reinvest their performance bonus in new units was carried by a large majority and no-one spoke either for or against the motion.

Paul Bishop

Air New Zealand – 24 September 2008

Proxies held by NZSA: 12 totalling 55,012 shares
Market Capitalisation: $1,093 million. www.airnewzealand.com

The meeting was held on the third floor of the Auckland Museum. Entrance was by means of two lifts holding a maximum of 12 passengers at a time. It will be appreciated that progress was of necessity slow given that there were close to 200 persons attending and shareholders would have been reminded fleetingly of delays for check in at airports. However, the meeting began pretty well on time. There were two opportunities for question time. The first came after the Chairman and CEO addressed the meeting, the texts of which will now be on the airline website. Two matters were raised. The first questioner asked whether maintenance was now being undertaken by Air New Zealand or whether, as intimated previously, this work was being sub-contracted overseas to places like China. The CEO responded that China had not been considered as a location but in the event, agreement had been reached with the engineers and the Company now has a most efficient service. New arrangements with Hawaiian Airlines using the Christchurch facilities had resulted in a 23% increase in business.

The second questioner referred to the Balance Sheet note on page 40 of the Annual Report dealing with contingent liabilities. The point of the question was that whilst it was often not possible to quantify an amount involved in a possible liability, in this case the wording was so stark that no comfort was available to shareholders that the class action lawsuit was defensible. The chairman asked Roger France to respond and this director made it quite clear that the Board had spent considerable time investigating the ramifications of this case. The reason that no certainty could be given to shareholders stemmed from the fact that it was not possible for the Board to be sure that the many hundreds of employees who discuss cargo rates every day with customers would not have expressed emails in such a way that their contents might be misconstrued. However Roger assured the meeting that despite legal cautions prevailing, the Board considered that the case had no merit. The writer has noticed in recent months the habit of seemingly using fishing expeditions to embrace many industry leaders in class actions. The New Zealand Commerce Commission seems to be copying this typically American

manner of progressing litigation and it is to be hoped that those using these tactics will be heavily penalised by the courts if their efforts have minimal foundation.

All directors up for re-election or appointment addressed the meeting and their appointments were approved. The new director was also a director of the award winning Black Cat Cruises Limited and will bring marketing expertise to the Board as well as reducing the average age of the Board considerably.

The final opportunity for question time came at the end of the meeting and the Chairman indicated that he had received advice from all major political parties that the ownership of the airline would not change following the imminent election. One shareholder questioned the continued use of air points and the CEO responded that for some local flights air points had indeed been dispensed with. However for longer overseas flights it was a key part of the loyalty programme and would be retained. A questioner also voiced his frustration at having to go through endless security checks before boarding a plane. The CEO responded that whilst there was potential for streamlining and was a subject monitored by all airlines, there was a limit to the input they could make.

Oliver Saint *25 September 2008*

AUCKLAND BRANCH VISIT TO RAKON

26 members visited the Rakon head office/manufacturing facility in Mount Wellington, Auckland on 23/08/2008. It is of note that member interest was such that a further 50 were unable to be accommodated.
The presentation was given by Justin Maloney – Marketing and Communications Manger and Graham Leaming – CFO.
The company was unable to provide tours of the manufacturing area due to the large numbers and significant re-organisation currently underway on the production lines. Justin has offered a tour to a smaller group in the future if requested.

A full copy of the presentation is available on the Investor Relations page at www.rakon.com
A summary of the main points follows:
The company:

- Founded in 1967 and a leader in high end GPS oscillator technology since the early 1990's.
- 2005 New Zealand Supreme Exporter Award.
- 2007 acquired frequency control division of C-Mac to enable entry to the telecommunications oscillator market.
- 2008 Joint venture in India for mass production of high end telecom oscillator products
- 2008 Joint venture in China to produce high volume oscillators.
- Rakon products are used in personal navigation devices (GPS), rescue beacons, mobile phones and many other applications.
- 5 manufacturing plants and 12 sales offices worldwide with more than 100 design engineers, most based in New Zealand or France.

Sales data:

- Asia 53%, Europe 22%, USA 22%. 800 customers world- wide.
- GPS technology market share greater than 60% with the total market continuing to grow at up to 70% annually.

- Telecoms market share less than 5%, but the company sees opportunities to gain market share with high end solutions. The JV's are designed to gain market share in this area. Growth is still positive, but has slowed with the current world financial problems.
- Continuing to rapidly add capacity with NZ now able to produce 8 million mid to high end units/month.
- 95% of production is exported, mostly in $US.

Financial:

- Revenue growth last year of 65%. EBITDA of 25%. NPAT 4% due to constant reduction in price of many products to maintain market share. This is largely offset by reduction in manufacturing costs. Last year results hit by goodwill write offs on acquisitions.
- R&D expense increased 275% mostly due to the French acquisition The Company expects this will flow to the bottom line as new high margin products come on line.

Answers to Questions:

- Joint ventures are protected by only dealing with existing long term, trusted suppliers/assemblers and by Rakon holding exclusive rights to market all products produced by both joint ventures.
- Patent protection is not usually sought as the secret is in the processes (can be more than 100 individual processes per item) rather than the actual product. Rakon has been able to stay one generation ahead of competitors throughout its history. Reverse engineering is almost impossible for the same reason.
- Margins are low in telecoms products, hence the need to go to India and China despite NZ labour costs only being 10% of revenue. However, the market is vast with 1 billion cellphones manufactured annually.
- Capex is mostly directed to increasing automation and much equipment is designed and built in-house.
- Freight is negligible due to the small size of the products, but there is a need to be near some of the larger Asian manufacturers to develop close relationships.
- The Company prefers to reinvest in capacity/R&D and does not intend paying a dividend at this time. Imputation credits are being maintained as far as possible with a view to utilising them at some point.

John Hawkins

WINDFLOW SPECIAL GENERAL MEETING CHRISTCHURCH 27TH AUGUST

The Chairman noted that there had been a good response from share and option holders in terms of proxies and that he held about 77,000. The NZSA representative had 16562 share and 3001 option proxies.

Both resolutions put to the meeting were carried unanimously by both option and share holders after the following questions and answers.

Questions from the floor (Answered by Barry Leay, unless otherwise indicated.)

Q Do you have any idea what is proposed by MRP?

A Can't answer. William may be able to give answer later. No discussion in case share and option holders decided not to proceed with proposal. Long Gully approx. 22 turbines.

Q When starting?

A	Process already started. Will take place as soon as possible.
Q	What's happening with resource consents?
A	Remote site, no growth, no ecological concerns; can't see any problems.
Q	Will the site accept large turbines?
A	Yes,Windflow turbines.
Q	What is access to the site like?
A	Sealed road most of way, past Brooklyn turbine, to airways site where air traffic control takes place, gravel road after that.
Q	What is the effect on existing shareholders of having a large shareholder coming in?
A	Share price down in June after all financial turmoil and before the Freddie Mac and Fannie Mae announcements. After the announcement about MRP, the shares went from $2.75 to $4.15 within about four hours; a 58% gain. The options went from 7c to $1.00.
Q	What are the plans for the funds from the MRP buying?
A	Plans to increase capability in the short term. There are three more variants of the turbine to develop. Windflow is working towards IEC wind turbine standard, Edition 3 Class 1A certification and the ISO certification was a forerunner for this. In some cases, design for the rigorous conditions in New Zealand requires that IEC WT-01 be exceeded.
Q	If it is first in world, why are others not using it?
A	No one has Class 1A certification to the new Edn 3 standard.
Q	MRP gets a discounted price in terms of current value of shares for partnership, so what is the value of the partnership for Windflow?
A	Shares were down, so to write off everything was worth about $38 million. Better for share and option holders to have a partner.
Q	What is the progress on IEC certification?
A	Could be a month or a few months. Depends upon document turnaround from the organisation.
Q	Were there not some problems with generators not being up to the standard of the originals?
A	New factory in China; was manufacturing issue; being fixed; not holding up progress.
Q	Do you intend further share floats?
A	Probably sufficient money to carry on at present without further dilutions.
Q	Isn't this about the fourth or fifth float?
A	2001, 2003, 2005, 2007. Options. Reason for the split last year in two tranches was due to shareholder preference.
Q	Any more firm orders?
A	60 for Te Rere Hau; Long Gully – conditional upon consent being obtained tonight.
Q	Do you have any overseas interests?
A	Interest from two entities in USA, Brazil and Mexico; attended conferences in USA and Chile.

The votes were taken at this point.

William Meek, Investment Manager from MRP then addressed the meeting. He said MRP was glad to be part of Windflow and the Long Gully project. Whilst this was a change from their usual larger projects the relationship opens doors for both companies with Windflow helping with smaller projects. A number of landholder agreements have already been secured. Windflow needs to get IEC certification.
Q	What is the approximate time scale for Long Gully?

A Not controlled by MRP; consent will be lodged this year or early next year. Windflow is in the driver's seat for this. The only thing that could hold it up now is consent.

Q Why use Windflow technology?

A Long Gully required turbines under the radar beam of the airport; not enough scale to use larger ones; under 10% of Westwind.
Barry Leay – this is going to change the way Wellingtonians see . windfarms; one at Brooklyn; another 22 not far away

Q Is there further potential for this site?

A Yes, but stage 2; did not want to hold up Long Gully.

Q Does MRP have international plans?

A Can't talk about that just now.

Margaret Murray

SMITHS CITY. CHRISTCHURCH. 3RD SEPTEMBER

Sixty five people attended and the NZSA held proxies for two shareholders. Link Market Services were not in attendance.
The full presentations are available on the Group website.

Questions from the floor
(Answered by Craig Boyce or Rick Hellings)
Q Is newspaper advertising still relevant?
A Reconsidering at present. TV possible; talking with UMC.
Q (New shareholder) How many properties do you actually own?
A Colombo Street and the Gisborne store. Principle – we don't hold unless we can improve and sell on.
Q Are you trading profitably and can you assure us that there are no nasty surprises.
A Yes.
Comment from the floor
That the Company deserves considerable credit for a good result given the circumstances. Supported by acclamation.
The Company was welcoming to the NZSA representative and assisted with guidance. It was a pleasure to attend a well chaired meeting.

Unsolicited Feedback for NZSA
During the post meeting socialisation, one of the Directors commented to me that he had been dubious about the worth of the NZSA initially, given some high profile behaviour. He now considers that the more recent lower key activity or background work is very constructive.
Margaret Murray

ING PROPERTY TRUST

"A reasonably well attended meeting. Chairman Michael Smith noted the company share price (currently 80 cents) and commented it had suffered in the current "property is not, the flavour of the month" investor sentiment and current investor attitude. In the case of ING this attitude was overdone and a share price of 80 cents was simply not justified. The company, he commented, was in great shape. Income was sound and remains sound; their properties were well leased with office properties 98.6 % let and no tenant in the entire portfolio paid to them more than 3.6% of total company income.

Prospects for 08/09 still look good. There were no developments of note underway without an unconditional commitment on the part of the tenant either existing or proposed. The last dividend rate of 8.7 cents per share would be maintained and with net tangible assets of the company standing at $1.47 per share against a share price of 80cents -" by any standards great buying."
One question was asked as to why a major shareholder had been selling down their holding was referred to another Director whom was also a Director of the down-selling organisation. He commented that it was a matter of this body balancing its portfolio. "
Joe Turnbull

BRANCH REPORTS

AUCKLAND

1. National AGM and Branch Conference – 12 September

   An organizing committee was formed which comprised of Jacquie Staley, John Hawkins, Joe Turnbull and Uli Sperber, to plan and prepare for both meetings.
   We had some initial difficulty in securing a suitable venue to coincide with our AGM date but eventually succeeded in booking the Hall of Legends at Eden Park.

   All reports indicate that the day went extremely well and our guest speakers, Grant Diggle – Chief Executive – Chartered Secretaries New Zealand, Mike Pohio - Chief Executive – Tainui Group and Kevin Armstrong – Chief Investment Officer, ANZ National Bank, were all well received and ably supported by Bruce Sheppard and Kevin McCaffrey.
   So many thanks to the volunteers on the committee that made the day go so well.

2. Company Visits

   a. 13 August - Goodman Property Trust
      40 members were in attendance including 5 members from the Waikato Branch. Members were treated to what was regarded as a first class presentation by Jim McLeay. This was followed by a tour of the Highbrook Business Park in South Auckland which was formerly the Ra Ora stud which was owned by Sir Woolf Fisher. Apparently, all the properties there are already under lease but there is ample room for further development.

   b. 7 October – Methven, Rosebank Road, Avondale
      This visit is now fully booked with 37 members registered to attend.

3. Auckland Branch Meeting
   Our next meeting is scheduled for Wednesday 12 November. The guest speaker is still to be confirmed and this will be advised in due course.

Ken Cook..Chairman – Auckland Branch.

WAIKATO

The speaker for our September meeting was Professor Frank Scrimgeor, Dean of the University of Waikato Management School. His topic “The Future of New Zealand Primary Industries – issues for investors” was of interest to all members, particularly the farming community.
A good contingent from the Waikato Branch (c.10) attended the NZSA AGM at Eden Park, Auckland. The first speaker Grant Diggle of the Chartered Secretaries New

Zealand, gave a very informative talk as to the role of chartered secretaries and their importance in the governance and stewardship of public companies. His talk titled “The Corporate Conscience” proved very apt. NZSA and the Chartered Secretaries have common interest in the behaviour and governance of public companies and boards. This foreshadowed Bruce Sheppard’s comments at the Branch Conference afterwards that the NZSA & Chartered Secretaries are looking to forge closer relations.

Other guest speakers included Mike Pohio – Tainui Group; and Kevin Armstrong – Chief Investment Officer ANZ National Bank. Bruce Shepherd addressed us and the NZSA business was dispatched in a timely and efficient manner. Congratulations to Kevin McCaffrey on his appointment to the Board and his “Irish pay rise”.

The Branch Conference followed the AGM. This gave delegates from the Branches the opportunity to bring their concerns to the Board. One of the major concerns was communication between the Boards and the Branches. The Board proposes to appoint an office administrator, part of their duties will be to improve communications and liaise with the branches. Some membership database maintenance will devolve to the branches. It was a pleasure to sight the new Education Manuals. They look very professional and a credit to Alan Best’s efforts. It is now up to the Branches to create demand and make good use of them! Helen Glyde from our branch advocated the need for different membership structures and the Board will investigate this further.

Thanks to the Auckland Branch for hosting an enjoyable, informative and productive day.
Robert Foster - Waikato Branch

BAY OF PLENTY
On the 28th August our Branch held its Annual General Meeting.
Unfortunately during the year we lost the services of two of our valued committee members. Lois Robertson and Russell Brown. We hope that the branch will be able to welcome them back to committee soon. We welcomed two new committee members, Jane Lyndon and John Mainland.

The highlight of the afternoon was a very well received presentation on Infratil by its CEO Lloyd Morrison. He highlighted the outstanding performance of IFT over the last 14yrs (20+% net returns) Also he discussed the strategy and vision for the company’s investments in buses and the Infratil Airports of Europe.

Our September discussion group featured reports on the National AGM and the post conference meeting between the national council and the branches. This was followed by Kerry Drumm introducing a discussion on Telecom, after which the meeting broke into several groups to continue the discussions. Dav Higson introduced a discussion on GPG. It was followed by a brief study of the merits, the size and significance of its subsidiary Coats and a review of the merits of the bad mouthing by some prominent people who complain about the governance of GPG. We considered the issues of succession, taxation and the coming dispersement of shareholder value. It was significant that when the chairman Neil Parker asked for a show of hands to indicate who held GPG shares 85% of those present responded positively.
Lloyd Christie - Branch Chairman

WELLINGTON

It's nearly the end of what has been a busy and entertaining year for the branch. We have run eight branch meetings so far this year with a great variety of informative and entertaining speakers.

Our last meeting of 2008 will be a visit to Time Cinema in November for the screening of an investment film. Next year we will be focusing on shareholder education – and depending on the outcome of the election we may get our local MP along so we can talk about how to fix the FIF regime.

Thanks to First NZ Capital for their ongoing support in hosting our meetings, and to all shareholders who have braved the occasionally (often actually) inclement weather to attend the meetings.
Martin Dowse. Chairman, Wellington Branch NZSA

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MEMBER'S ISSUES

THE 20 MINUTE RULE

At our 2008 Annual Meeting held on 12 September a member asked during question time if the Association would take up the unfair practice whereby the New Zealand Exchange delays announcements from listed companies by 20 minutes so they may obtain a commercial advantage for their subscribers to information. Members will be happy to hear that our Chairman has queried this practice with the Securities Commission. This letter is on our website and the Board will be following up when a reply is received.
Oliver Saint

OVERSEAS ASSOCIATIONS

Once again we mention that we have reciprocal arrangements with the Australian, UK and Singapore Shareholder Associations. In addition, the Hong Kong Association provides a free email newsletter that is available to any member on request. The newsletter of the first two Associations and any further information relating to these Associations may be obtained from Russell Hodge (rusorjudy@paradise.net.nz). Please note that this facility is only available by email. Hard copies are not available.

In addition, if you are travelling to Australia you will see that each State has a monthly meeting and there are other regular seminars and addresses in most of the larger cities. Your membership entitles you to reciprocal arrangements at these meetings. I would mention that I was in Melbourne for 8 days in September which fortunately coincided with a luncheon meeting where Mr Paul Little, the CEO of Toll Holdings, addressed Victoria State members and the deputy chair of the Australian Shareholders' Association, Ms Helen Dent, gave a 3 hour illustrated address on Internet for Investors at Monash University, Caulfield Campus; excellent value for the $50 outlay.
Oliver Saint

A NEW GENEVA SHAREHOLDER VOICES HIS FRUSTRATION

The following letter was received by Chris Curlett after our mailout to Geneva Shareholders. We include it to show how difficult life has been for savers who have suddenly become investors in Geneva.

Thank you for your letter about Geneva Finance, but it is 6 months too late. I have not been sitting around doing nothing.

My situation: my investment matured in Feb.2008, and in April they advertised the meeting about the Moratorium. Before that meeting took place I sent them a letter stating that I did not want any investment in their Company and nor did I want any Shares. This was ignored.

So I lodged a claim with the Disputes Tribunal immediately, and the hearing was 2 weeks ago. It was in my favour except for those shares because they were outside the Disputes Tribunal Jurisdiction.

I then emailed the Serious Fraud Office about the shares and was told that they could not do much because there was no criminal intent.

I was told that this is more in line with what the Commerce Commission looks into. I CAN TAKE A HINT.

Geneva was given 14 days to return my money and this ended yesterday with no payment and so now I have to contact the District Court so that further action can be taken.

Tried nearly everything to get this Media Attention to get a message out there so that other investors would know about what is going on.

Sent an e-mail to T.V.3 -No reply from their Newsroom.

Sent an e-mail to The Herald -No reply from their Finance Section.

Sent an e-mail to the S.F.O. They can't do anything.

Sent an e-mail to the Commerce Commission. Waiting for a reply.

What concerns me the most is that other Finance Companies that are in similar circumstances will use the same disgraceful tactics to keep their C.E.Os etc in high paid jobs for the next few years. In Geneva's Case getting $27 Million for some worthless shares must be very close to fraud.

If there is any thing useful that can be taken from my situation, please feel free to do so.

Name withheld

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